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Subcommittee on the Western Hemisphere on US Policy towards Latin America and the Caribbean

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Chairman Engel, thank you for the opportunity to testify on the critical and timely need to produce and execute an effective and sustainable US policy towards Latin America and the Caribbean. A policy that should signal serious commitment and a willingness to learn and to listen on our part.

Throughout the 20th Century, President Roosevelt articulated the Good Neighbor policy and talked about the respect and the rights of others. President Kennedy launched the Alliance for Progress which resulted in the high water mark for US relations in the region and President Clinton saw the importance of working together and convened the Summit of the Americas. Despite these noble and well conceived efforts we have not been able to develop a true, consistent, effective and lasting partnership with our Latin American neighbors.

REGIONAL OBSERVATIONS:

With some notable exceptions, Latin American countries have become politically mature, more independent and critical of the US during the long benign neglect of the last 8 years. Brazil and Venezuela are projecting their influence across the region. Peru, overcoming corrupt governance, has begun to move forward, as well as Colombia. Yet, nations like Haiti, Honduras, Nicaragua, Ecuador, and Paraguay continue to be mired in a troubled past and Cuba is ripe for a major change with some initial steps that the President should undertake by lifting all remittance and travel restrictions while calling for the release of all political prisoners.

Emerging and powerful multinationals of the stature of Brazil's mining giant Vale, and energy global player Petrobras, or Mexico's CEMEX demonstrate the growing economic maturity shaping the region. New trade links denote a diversified global presence. Chinese imports increased twenty fold since 1990, while Chinese exports to the region jumped from \$600-\$700 million range at the beginning of the 90s to close to \$40 billion around 2005.

Key regional players like Mexico, Brazil and Argentina see no reason to support our policies in Doha and the Bretton Wood Group, or in our reaction to formal or informal multi-country organizations like OECD and the G-8. This is a very troubling development that will only get worse without a new an effective approach from the US.

These trends (and others like urbanization, communications, financial maturity, trained professionals, transportation, grass root democratization across the spectrum) call for a new approach in our foreign aid as part of our overall foreign policy, one tracking more the MCC process (one which rewards and reinforces proper policies and regulations) than conventional USAID projects alone.

LA/C can no longer be treated as a single region where one set of policies fits all. Massive income disparities and all pervasive corruption enjoyed with total impunity by previous governments have given leaders like Chavez, Correa, Morales and Ortega the popular electoral base which placed them in power.

It is encouraging Mr. Chairman, to those of us that continually monitor and experience the regional events, to know that your leadership and the work of this Committee, at this time, will be of special importance and relevance to promote a new era of hope, understanding and productive engagement between the US and Latin America.

Intractable unequal income distribution and high poverty levels throughout the entire region along with personal insecurity, public corruption, poor education, labor rights violations and organized crime are the main reasons used by groups opposed to the US to vent the latent resentment and frustration of the population.

We must address these fundamental root causes in the formulation of our foreign policy, trade agreements and economic aid programs if we are to achieve an efficient, lasting and morally grounded approach.

Because of these factors, democratic advances of the last 20 years are at risk as we see the unfolding of anti American populist movements with authoritarian tendencies led and inspired by the Castro – Chavez playbook. Iran, Russia and China’s growing presence in the region add to this widening rift between US interests and Latin America.

In both Venezuela and neighboring Ecuador, leftist leaders have used referendums as ways to consolidate power and mold their countries along populist lines.

In Bolivia, a constitutional referendum just approved will allow President Evo Morales to seek a second consecutive five-year term, reshape the congress, and extend the state's power – an important victory for this strongly anti-American leader who recently expelled the U.S. ambassador, nationalized the country's energy supplies, and whose key patron is Venezuelan President Hugo Chávez. If re elected, Morales could remain in office through 2014.

In El Salvador, presidential elections will be held next month on March 15. A recent poll gives Mauricio Funes, the FMLN candidate a lead of 47.4% over Rodrigo Avila, the ARENA nominee at 23.8%.

Funes is a popular political commentator and talk show host who gained a national audience and following through the construction of a patchwork grid of daily TV and radio broadcasts on second-tier media outlets throughout the country.

These populist Latin American leaders have found the way to get the majority of their marginalized and disenfranchised people to vote them into power. Funes has done exactly this and he may well win the Presidential election and usher the FMLN back as one more anti American government in El Salvador.

We must underscore that no regional stability will be sustainable over the long term in the absence of measures enforced to reduce the gap between the few haves and the majority have nots.

This is not the time for ideological filters, but for pragmatic diplomacy. The stronger countries-- **Argentina, Brazil, Chile, Mexico, and Venezuela**--and increasingly **Peru** and **Colombia** could serve as anchors to our foreign policy in the region. In this set, only **Brazil, Chile and Mexico** may be strong enough to qualify as primary partners. But the others must be engaged with a clear end game: **To have the US as an integral part of their trade, capital and military**

institutions instead of voracious emerging powers like China and Russia taking over markets for US products and services in the region..

Chile is a sort of Sweden of the Americas and **Costa Rica** is an example of democratic stability. What applicable lessons can the US learn and export from these two?

The moral high ground brought by this Administration, with an afro descendant as our national leader, should be fully capitalized in a continent where afro descendants, indigenous communities, and other non-Caucasians represent a large part of the population and have been systematically excluded.

As President Obama has stated: America is strongest when we act alongside strong partners. Now is the time for a new era of international cooperation that strengthens old partnerships and builds new ones to confront the common challenges of the 21st century -- terrorism and nuclear weapons; climate change and poverty; genocide and disease. Most of these are present in the Latin America and Caribbean region.

POLICY - STRATEGIC ELEMENTS

Our overall strategy in Latin America should address these basic areas in Phase I (next two years), at a minimum, to yield productive and lasting US – LA/C partnerships:

A. Macro-economic stability - We must develop coordinated regional plans with the Treasury, the Fed and US Foreign Aid to ensure that Mexico, Brazil, Argentina and Chile are macro economically stable as the main economic engines of the area.

B. Economic development - expanding opportunities for all through economic integration. LA/C needs investment, innovation and fair trade linked closely with small and medium sized US companies to “lift all boats”. The focus of our aid should be on micro and not macro projects to quickly have a significant and positive impact on the region from the bottom up. More US trade missions should be encouraged and made a part of US policy. One of the keys to development and good health is readily available clean water. The US can play a key partnership role here. When people have economic stability, markets for their products and choices, they choose democracy, demand transparency and actively participate in their own government. The Peace Corp should be expanded as well as cultural and educational exchange and other people to people programs to solidify relations and breakdown barriers between North and South.

A word of caution here: there are way too many NGOs and other organizations spending too much money inefficiently to make an optimum impact (too many administration costs, turf battles and redundancy in this area to optimize effectiveness). Launching even more groups to get involved could make the problem worse. Some organization needs to act as a clearinghouse for global economic development to maximize financial aid and effort.

C. Develop sustainable energy sources and combat climate change. We should invest, promote and seed projects that develop solar, wind, water, bio fuels and other clean energy sources while requiring re forestation, preservation and rehabilitation of environmentally sensitive water and green areas as conditions to aid packages.

D. Security - protect the hemisphere by strengthening human rights and the rule of law to protect the public and to combat drug trafficking and organized crime. Develop programs to reform judicial systems, train law enforcement officials, enhance intelligence agencies and develop citizen oversight panels to combat non state actors such as cartels, gangs and foreign or domestic subversive elements.

COUNTRY SPECIFIC RECOMMENDATIONS - PHASE I

Mexico: is and will be for the foreseeable future the most important country in US foreign relations within LA/C..

Before taking the oath of office President Elect Obama's only meeting with a foreign head of state was with President Felipe Calderon signaling the vital importance of US - Mexico relations. Today, border issues affect our optics, but those issues are overwhelmed by the massive benefits both nations derive from their close relationship. These benefits caused by their role as a major trading partner, top energy supplier, center of US investment and source of corporate profits, key US tourist destination and top recipient of foreign remittances, vibrant investor in the US and supplier for US labor. These mutual benefits should be protected and expanded.

Mexican internal problems parallel our problems. In this context:

Plan Merida should be revised to better reflect the values of our new Administration and invest more in Central America where much of the drug trafficking and gang activity begins.

Both Mexico and the US will significantly benefit from the reduction of the growing income gap, primarily in the South and in Mexico City marginal neighborhoods where social unrest could lead to major instability and stimulate additional migrations.

Learning from the experiences already accumulated by the US Millennium Challenge Corporation, the US and Mexico could fund a US-Mexican Development Corporation designed to reward communities and States with policies and programs that have successfully reduced poverty and reduced income polarization. Like in the US, a well regulated and transparent administration will be required for any joint investment in development to produce results.

As a logical extension, US bilateral foreign aid could gain a strong ally in Mexico by co-sponsoring overseas programs and allowing, perhaps under NAFTA protocols, Mexican companies to bid in US foreign aid programs.

NAFTA should be improved, but carefully and using its own internal review mechanisms. This is not the right time to increase the uncertainty faced by the important financial and commercial interests built as a result of this imperfect, but workable, agreement.

Water availability and related issues have a critical factor on both sides of the border.. The architecture of an overarching authority integrating strong water policies, infrastructure, administration and access must be carefully evaluated and implemented.

Current illegal migration flows complicate diplomatic relations and weaken our homeland security. Because no lessons have been applied here, very unpopular solutions like the contract driven border wall have gained the upper hand.

The US needs to deepen our engagement with Mexico through organizations like USAID and MCC in measures destined to reduce their squalor and poverty and to improve security and the rule of law.

The Treasury and the FED should closely monitor the country's financial condition and collaborate in any way possible to forestall a currency collapse like the one faced by the Clinton Administration. This will cost resources and require high level diplomacy – we should appoint a trusted and capable Ambassador.

Brazil: After Mexico, Brazil is the most important country to our foreign policy, economy and climate change initiatives. Begin laying the ground work for a strong hemispheric relationship with this country. Initiate policies designed to counteract the Chinese influence by creating progressive investment protocols. Form alliances with Brazil building on their growing influence and presence in global markets especially in the areas of energy, the environment and agriculture.

Daily violence is a growing concern in spite of several years of surprising prosperity during Lula's presidency. Cooperation with US and Brazilian security agencies can help stem the tide of rising crime within and outside Brazil's borders.

Ecuador: Colombia's raid on a rebel camp in Ecuador last year galvanized President Rafael Correa's anti American stance. He has ousted top commanders and members of his military who he says have ties to the CIA and reaffirmed that Ecuador will not renew the lease for the U.S. air base in Manta after it expires in 2009.

Although it was important for the U.S. to support Colombia after the raid, it also was important to acknowledge Ecuador's justifiable anger at the violation of its sovereignty – the US missed the opportunity for a nuanced response and instead simply ignored Ecuador.

Correa is distancing his country from Colombia's internal struggles and, like other Latin American nations, redefining its relationship with the U.S. with significant influence from the Castro-Chavez think tanks.

The evolving politics of South America call for respectful engagement, not Cold War bluster. Lessons learned in Ecuador could be applicable in Bolivia, Nicaragua, Venezuela, Cuba, Haiti, Argentina and even Mexico and Brazil in order to prevent further alienation from the US.

Colombia: Guide our State Department to strengthen its contacts with the opposition and to send strong signals that there will be no support for Uribe's third term. Do not cancel Plan Colombia but redirect it towards its original objective, reduction of coca and opium traffic. Channel foreign aid to address poverty stricken regions within Colombia which harbor anti American elements.

US-Colombian relationship faces two urgent issues: Plan Colombia and the FTA. The high profile President Bush gave President Uribe, needs to be balanced by also highlighting the profile of other key leaders in the region.

Colombia has gained a measure of peace, the FARC guerrillas are withering away and the democratic process should ensure a peaceful transition from the current two terms President, to a democratically elected leader. The Obama Administration should clearly state its support for the Colombian constitution and its laws.

The flaws of Plan Colombia should be addressed through existing DEA and State channels with close Congressional oversight.

Cuba: offers a unique low cost opportunity **to have a major positive impact on US-LA/C diplomatic relations while encouraging the transition to democracy.**

We should follow up on the promises made in the campaign trail by removing travel and remittance restrictions by Cuban Americans to the island and by expanding cultural, academic and religious exchanges.

Amend the Libertad Act by allowing humanitarian aid to people in need, not only to political prisoners and their families; by supporting economic development through private sector options and include under the promotion of democracy the promotion of free enterprise.

The Embargo may be difficult to lift initially (because the Castro ruling elite wants it in place and South Florida constituents may oppose it). Lift export barriers to Cuba except those considered by the DOD to be of military sensitivity.

Encourage the World Bank and the IMF to engage the authorities in the island and transfer capital to specific projects encouraging democracy (e.g. communications) or free enterprise (e.g. micro credit facilities).

Haiti - Absolutely no excuse for allowing this level of poverty to exist. It continues to be a shameful commentary on our treatment of the region. Three hurricanes in six weeks pounded the poorest country in the hemisphere and very little happened. A mini-Marshall Plan for the island would not be that expensive, it would be supported by President Obama's new world wide Peace Corp renewal and would prove our commitment to the poorest in the region.

The Black caucus and other members of Congress have correctly pointed to the horrific poverty destroying this country and creating waves upon waves of illegal migrants in the Caribbean. The root cause of the current recurring crisis in Haiti is the political tension built around those who are pro-Aristide or opposed to him. Many are firmly convinced that the US engineered the coup d'état that pushed this charismatic and popular politician from Haiti. Thus, many perceive the US as anti-democratic and pro-elite.

This fragmented and hard working, society, lacks the basic institutions to move from foreign aid to private development. As a result, its development efforts are populated by NGOs and religious groups instead of small and medium entrepreneurs. The upper classes have lost a significant share of their capital and political base. This creates a unique opportunity to encourage free enterprise thru micro, small and mid-size business development.

The current funding level should be maintained for the next two-three years. Its effectiveness will receive more strict independent tracking, monitoring and evaluation than in the past and in terms of measurable and validated results. The Obama Administration, through our US Ambassador, could suggest the establishment of a US-Haiti Authority to oversee this development effort with Congressional oversight.

As part of this development program, special activities should be designed to encourage the engagement of the Haiti Diaspora with the development priorities of their communities.

CONCLUSION

The aforementioned countries would represent a well focused and doable Phase I agenda for the next two years setting the stage for a comprehensive engagement framework on a country by country basis throughout the entire region to be in place by the end of President Obama's first term.

We must understand Mr. Chairman, that what happens in this Hemisphere has a significant impact in the US. Be it immigration, jobs, healthcare, drug trafficking, security, climate change; it is certain that our entire nation will feel the effects of our relations with our neighbors to the South.

Congressman Delahunt has stated in addressing the region that "the greatest enemies of democracy are not individuals or individual nation states but rather poverty, lack of hope, profound disparity and inequality of income and wealth", we could not agree more!

I fully endorse, President Obama's principles, referring to the region, that "after decades pressing for top down reform, we need an agenda that advances **democracy, security and opportunity** from the bottom up."

NEXT STEPS

So, Mr. Chairman, we come to this juncture and reflect on what should be done so I would suggest an initial set of organizational and practical steps to develop a realistic engagement plan and send a strong signal to the Hemisphere:

First, together with the Senate and House Foreign Affairs leadership, pass a Congressional joint resolution which defines Latin America and the Caribbean as an area of strategic and priority importance to US foreign policy.

Begin a series of fact finding 'high level trips' to Latin America to learn, listen and articulate a new commitment to the region. Do the ground work for a subsequent Presidential trip to LA/C to present the new policy after fully engaging the region in face to face meetings. Policy recommendations should be made after these trips.

Second, working with the Special Envoy to Latin America, as project leader, clearly define a general framework for the President's Latin American foreign policy. This should be very basic, achievable and done in phases.

Third, appoint and empower a work team to begin to execute it. Members of USAID, the IMF, the World Bank, the UN, Defense, State, Congressional staff and expert facilitators should be appointed and given the charter to come up with the blueprint and present it to the Sec of State and the Congressional Foreign Affairs committees for their endorsement and ultimate recommendation to the President.

This is a major task and it must be coordinated by someone who is empowered and committed, if not, we'll be back to ad-hoc, inconsistent, conflictive programs and 'business as usual', a signal which will surely turn off the region.

Finally, communicate it very clearly so that State, Congress, and the White House are all on the same page and speak with one voice on expectations and time frames going forward.

The Congress should then plan to conduct periodic hearings to check on progress.

This is a pragmatic, "jump start" approach that can only work if the individuals are empowered, strategically placed and well led.

For the next two years while the President is understandably focused elsewhere, you can move this vital Phase I agenda forward and make significant progress with minimal Presidential involvement. Multitasking in the new administration will increase the bandwidth and give us the opportunity to address these "burning platform" issues which are so important to all of us in the Western Hemisphere.

My firm and I remain ready, willing and able to assist in this important Phase I and subsequent efforts.

Sergio Bendixen